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O R 191045Z JUN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 5952

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMCONSUL NHA TRANG

AMEMBASSY PARIS

AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS UNN

CIA

DIA

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JUSMAAG

WHITE HOUSE

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C O N F I D E N T I A L SECTION 1 OF 6 SAIGON 8084

C O R R E C T E D C O P Y (PART OF SUBJECT LINE OMITTED ON
ORIGINAL TRANSMSSION)

EO 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJ: EMBASSY SAIGON'S MISSION WEEKLY JUNE 13-19, 1974

BANGKOK ALSO PASS OSA; DEPT ALSO FOR AID/W; CINCPAC FOR POLAD;
DOD FOR USAJFKCMA ATTN: ATCS-WL-DSA

THE WEEK IN REVIEW
--THE CEASEFIRE
--"PRG" DEMANDS VAST EXTENSION OF "PRIVILEGES AND IMMUNITIES"
--RVN REJECTS "PRG" DEMANDS, DRV/"PRG" WALKOUT OF JUNE 18
 FPJMT AND TPJMC PLENARIES
--US DENOUNCES COMMUNIST WALKOUT
--PRESIDENT THIEU ISSUES ARMED FORCES DAY MESSAGE
--THIEU'S TRAVELS
--GVN PREPARATIONS FOR THE MUNICIPAL & PROVINCIAL COUNCIL
 ELECTIONS NEAR COMPLETION
--DEPUTY PRIME MINISTER TRAN VAN DON RESPONSIBLE FOR LIAISON
 WITH ASSEMBLY
--CATHOLIC ANTI-CORRUPTION MOVES SURFACE
--118 VIETNAMESE CITIZENS OF ETHNIC CHINESE EXTRACTION
 EXPULSED FROM HONG KONG
--SUPREME COURT DECIDES CONSTITUTIONAL ISSUE IN "MARTELL
 CONVOY" CASE
--TRAN NGOC CHAU'S STATUS UNCLEAR
--CAMBODIAN SITUATION SOMEWHAT CALMER IN KIEN GIANG
--TUNONG HOA HAO FACTION APPEARS TO BE LOSING STEAM IN CONFRONTATION
 WITH GVN
--FOREIGN MINISTER LEAVES FOR LOS CONFERENCE
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--GVN AND NICARAGUA ESTABLISH DIPLOMATIC RELATIONS
--EXPORT TREND STAYS FLAT IN APRIL-MAY
--FOOD LEADS REBOUND IN CONSUMER PRICES
--GOLD, BLACK MARKET DOLLARS ADVANCE

I. INTERNAL

A. THE CEASEFIRE

THERE HAS BEEN A SLIGHT INCREASE IN ENEMY ACTIVITY IN MR-1,

WITH FIGHTING HEAVIEST IN QUANG TIN AND QUANG NGAI PROVINCES. TERRORISM CONTINUES IN QUANG NAM, AS DOES HARASSMENT OF REFUGEES THROUGHOUT SOUTHERN MR-1. PRESSURE PERSISTS AGAINST THE KEY TAM KY-TIEN PHUOC ROAD IN QUANG TIN, AND TAM KY CITY ITSELF WAS TWICE ROCKETTED (122 MM). THE FIRST SIGNIFICANT FIGHTING IN MONTHS WAS REPORTED FROM EASTERN MO DUC DISTRICT, QUANG NGAI-- THE SITE OF AN EXTENSIVE GVN PACIFICATION CAMPAIGN OVER RECENT MONTHS.

IN MR-2, MILITARY ACTIVITY MAINTAINED THE DOWNWARD TREND BEGUN FOUR WEEKS AGO. THERE IS CONTINUED CONCERN OVER THE THREAT TO THE TWO ISOLATED GVN BASES IN KONTUM, WHERE BAD WEATHER HAS DELAYED AIR EVACUATION OF NON-COMBATANTS. THE VO DINH OPERATION IN KONTUM IS STALLED FOR THE THIRD WEEK. IN BINH DINH, AND ARVNAF'S NAVAL-GROUND-AIR OPERATION HAS REPORTEDLY RETAKEN FOUR OF FIVE VC-HELD COASTAL VILLAGES IN PHU MY DISTRICT.

IN MR-3, THE NVA/VC HAVE SUSTAINED WIDESPREAD HIGH-LEVEL MILITARY ACTIVITY, HIGHLIGHTED BY A SIX-DAY ROADBLOCK ON QL-1 IN EASTERN LONG KHANH, HEAVY ATTACKS NEAR ROUTE 22 SOUTH OF TAY NINH CITY, AND STIFF RESISTANCE IN THE BEN CAT AREA. REFUGEES ARE NOW RETURNING TO BEN CAT TOWN, BUT CONCENTRATED NVA ARTILLERY FIRE HAS FORCED WITHDRAWAL OF ARVN ARMOR WHILE A SLOWER INFANTRY OPERATION TO ROOT OUT DUG-IN NVA AROUND OP 82 AND RACH BAP GRINDS AHEAD.

IN MR-4, THERE WAS AN INCREASE IN THE NUMBER OF INCIDENTS, THOUGH NOT IN THE INTENSITY OF THE FIGHTING. IN THE NORTHERN DELTA, ENEMY ATTENTION HAS SHIFTED TO INFILTRATION OF SUPPLIES, WITH AN INCREASE IN FIGHTING ALONG INFILTRATION ROUTES. ACTIVITY OF ALL TYPES INCREASED IN THE VINH LONG-VINH BINH BOUNDARY AREAS. IN KIEN HOA, WHERE TERRORISM AND ABDUCTIONS CONTINUED, GVN PATROLS WERE THE MOST NUMEROUS IN OVER A YEAR. THE SITUATION IN SOUTHERN PHONG DINH REMAINS UNSTABLE. ACTIVITY INCREASED SHARPLY IN BAC LIEU, AS DID ENEMY HI-AND-RUN ATTACKS IN BA XUYEN.

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IN BOTH THE TPJMC AND FPJMT, THE PRG LABELLED THE RVN JUNE 7 FULL REINSTATEMENT OF ITS PRIVILEGES INADEQUATE AND PRESENTED FOR RVN SIGNATURE A NEW DRAFT AGREEMENT ON P&I WHICH WOULD VASTLY EXPAND AND UNCONDITIONALLY GUARANTEE COMMUNIST PREREOGATIVES THROUGHOUT THE RVN. DECLARING ITS ACCEPTANCE A PREREQUISITE FOR NORMAL FUNCTIONING OF BOTH FORA, THE COMMUNISTS WALKED OUT OF BOTH FORA JUNE 18 WHEN THE RVN AGREED ONLY TO DISCUSS P&I BUT DISMISSED A NEW AGREEMENT AS UNNECESSARY. THE PRG WILL ATTEND THE JUNE 21 TPJMC MEETING, BUT IT AND ITS DRV MASTERS MAY BOYCOTT THE FPJMT ON JUNE 20. (SEE ITEMS B, C, AND D BELOW FOR ADDITIONAL INFORMATION).

THE US HAS MADE AN ADDITIONAL \$1.2 MILLION CONTRIBUTION TO THE 1974-75 ICCS BUDGET.

B. "PRG" DEMANDS VAST EXTENSION OF "PRIVILEGES AND IMMUNITIES"

IN THE TWO PARTY JOINT MILITARY COMMISSION (TPJMC) MEETING
JUNE 14, THE "PRG" CHIEF DELEGATE TABLED A "NEW DRAFT AGREEMENT"
ON PRIVILEGES AND IMMUNITIES WHICH INCORPORATED A VAST EXTENSION
OF THESE BEYOND THE SCOPE ENVISAGED IN THE PARIS AGREEMENT OR
THE ELEVEN-POINT AGREEMENT ON THIS SPECIFIC SUBJECT SUB-
SEQUENTLY AGREED UPON IN SAIGON IN MARCH 1973. THE "PRG" DE-
MANDED THAT ALL PRIVILEGES AND IMMUNITIES HITHERTO AGREED UPON
MUST BE CONFIRMED AS "EQUIVALENT TO THOSE ACCORDED DIPLOMATIC
MISSIONS AND DIPLOMATIC PERSONNEL". SPECIFICALLY, THE "PRG"
DEMANDS INCLUDED FREEDOM OF MOVEMENT THROUGHOUT THE COUNTRY
WITHOUT REFERENCE TO LEGITIMATE, PARIS AGREEMENT-RELATED
BUSINESS, OR TO RVN RESPONSIBILITY FOR ENSURING THE SAFETY
OF THE DELEGATIONS; "THE RIGHT TO MAKE CONTACT WITH INDIVIDUALS
AND GROUPS" AT ANY PLACE IN SVN SUITABLE TO THE "PRG"
(THUS OBTAINING UNLIMITED OPPORTUNITIES FOR SUBVERSION, ESPIONAGE,
AND POLITICAL PROSELYTIZING); THE RIGHT TO CONTACT NEWSMEN AND HOLD
PRESS CONFERENCES WHENEVER AND WHEREVER THE "PRG" SO DESIRED
(THUS RADICALLY EXPANDING THE UNDERSTANDING CAREFULLY WORKED
OUT AND PREVIOUSLY ADHERED TO, WHICH ALLOWED THE "PRG" UN-
LIMITED TELEPHONE ACCESS TO THE PRESS AND A WEEKLY PRESS CON-
FERENCE); AND MANY OTHER POINTS, WHICH TAKEN TOGETHER, WOULD HAVE
AFFORDED THE "PRG" THE REQUISITES OF SOVEREIGNTY.

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C O N F I D E N T I A L SECTION 2 OF 6 SAIGON 8084

C. RVN REJECTS "PRG" DEMANDS, DRV/"PRC" WALKOUT OF JUNE 18
FPJMT AND TPJMC PLENARIES
DURING THE JUNE 18 PLENARY OF THE FOUR PARTY JOINT MILITARY TEAM
(FPJMT), THE SECOND SINCE THE DRV/"PRG" RETURNED FROM THEIR
BOYCOTT, THE "PRG" ATTEMPTED TO MAKE THE ISSUE OF EXPANSION OF
PRIVILEGES AND IMMUNITIES A PRE-CONDITION TO DISCUSSION OF MATTERS
OF SUBSTANCE. THE RVN/US DELEGATIONS REJECTED THE "PRG" ATTEMPT
TO TABLE IN THIS FORUM AS WELL AS THE DRAFT AGREEMENT MENTIONED
ABOVE, POINTING OUT THAT THE MAIN BUSINESS OF THE FPJMT IS THE
IMPLEMENTATION OF ARTICLE 8 (B) OF THE PARIS AGREEMENT, WHICH IS
THE PRESSING HUMANITARIAN TASK OF RETURNING THE REMAINS OF THOSE
WHO HAVE DIED AND OBTAINING INFORMATION ON THE MISSING. THE
RVN, SUPPORTED BY THE US, SAID IT WOULD NOT CONSIDER THE "PRG"
DEMANDS DURING THE FPJMT PLENARY, BUT WAS PREPARED TO HAVE SUCH
QUESTIONS DISCUSSED BY THE DELEGATION SECRETARIES WHILE THE
PLENARY MOVED AHEAD WITH THE URGENT, HUMANITARIAN MATTERS
OF SUBSTANCE WHICH WERE ITS PRINCIPAL BUSINESS. THEREUPON, THE

DRV/"PRG" DELEGATIONS WALKED OUT.

THE SAME PATTERN WAS FOLLOWED AT THE JUNE 18 TPJMC PLENARY, WITH THE DRV/"PRG" DELEGATIONS WALKING OUT WHEN THE RVN REFUSED TO SIGN THE "DRAFT AGREEMENT" ON THE SPOT.

D. US DENOUNCES COMMUNIST WALKOUT

FOLLOWING THE JUNE 18, 1973 COMMUNIST WALKOUT FROM THE FPJMT MEETING, THE EMBASSY ISSUED A CONDEMNATION OF COMMUNIST CALLOUSNESS AND INHUMANITY. THE STATEMENT RECALLED THAT ON JUNE 13 WE HAD PRESENTED AN UPDATED LIST OF 1,100 AMERICAN PERSONNEL MISSING IN ACTION IN INDOCHINA AND 1,200 DEAD WHOSE REMAINS HAVE NOT BEEN RECOVERED, BUT THAT THE COMMUNIST DELEGATIONS ARE FLATLY REFUSING TO DISCUSS THE ISSUE UNTIL THEIR DEMAND FOR A VAST EXTENSION OF THEIR SO-CALLED "PRIVILEGES AND IMMUNITIES" HAS BEEN AGREED TO BY THE RVN. WE POINTED OUT THE CONFIDENTIAL

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MASSIVE AND BRUTAL IRONY IN THIS CYNICAL ACTION BY THE DRV AND BY ITS ADJUNCT IN THE SOUTH, THE SO-CALLED "PRG".. IN THE MIDDLE EAST, THERE IS A REAL DESIRE FOR PEACE, YET IN SVN THE NORTH VIETNAMESE HAVE CONTINUED AND STEPPED UP THEIR MILITARY ATTACKS. THE RVN REMAINS WILLING, AS IT HAS BEEN FOR ALL THESE MONTHS, TO MAKE THE CEASEFIRE EFFECTIVE AND SERIOUSLY TO DISCUSS AND AGREE UPON REASONABLE MODALITIES QUICKLY TO IMPLEMENT ALL THE PROVISIONS OF THE PARIS AGREEMENT. YET THE NORTH VIETNAMESE, APPARENTLY FEARING DEFEAT IN ANY FAIR POLITICAL CONTEST, ARE STILL TRYING UNSUCCESSFULLY THE ROAD OF CONQUEST BY PURE MILITARY FORCE.

THE EMBASSY STATEMENT POINTED OUT THAT BY NOW IT MUST BE CLEAR THAT SUCH ATTEMPTS CANNOT POSSIBLY SUCCEED, YET BECAUSE OF THE ILLUSORY DREAM OF THE AGING LEADERS OF HANOI THAT THE "MANDATE OF HEAVEN" COMPELS THEM TO SEEK TO BRING ALL OF SE ASIA UNDER THE HEGEMONY OF HANOI, THE COMMUNIST LEADERS ARE STILL SACRIFICING THE LIVES OF THOUSANDS OF THEIR YOUNG MEN TO THEIR FRUITLESS AMBITION, DOOMED TO FAILURE.

THE EMBASSY STATEMENT CONTRASTED THE STILLING OF THE GUNS IN THE MIDDLE EAST TO THE FACT THAT ONE YEAR, FOUR MONTHS 21 DAYS AFTER THE PARIS AGREEMENT BECAME EFFECTIVE, AND ONE YEAR AND FIVE DAYS AFTER THE SIGNATURE OF THE JUNE 13 COMMUNIQUE, THE CEASEFIRE IS STILL NOT EFFECTIVE. SINCE JANUARY 27, 1973 66,263 YOUNG NORTH VIETNAMESE SOLDIERS HAVE BEEN KILLED; 17,979 YOUNG SOUTH VIETNAMESE SOLDIERS HAVE BEEN KILLED; AND AS ESTIMATED 175,000 MEN OF BOTH SIDES HAVE BEEN WOUNDED. THE NORTH VIETNAMESE STILL WILL NOT EVEN DISCUSS A CEASEFIRE IN ANY OF THE FORA PROVIDED FOR BY THE PARIS AGREEMENT. BUT THEY ARE WILLING TO DISCUSS A VAST EXTENSION OF THEIR "PRIVILEGES AND IMMUNITIES".

THE EMBASSY STATEMENT RECALLED THAT IN SVN THE NORTH VIETNAMESE HAVE FLATLY REFUSED TO PERMIT THE FULL DEPLOYMENT OF THE ICCS TEAMS WITHIN THE AREAS UNDER THE DE FACTO CONTROL OF

THEIR SIDE; THEY HAVE REFUSED EVEN TO DESIGNATE THE POINTS OF ENTRY WHERE ICCS TEAMS COULD SUPERVISE THE ENTRY OF THE ONE-FOR-ONE REPLACEMENTS PERMITTED UNDER THE PARIS AGREEMENT; THEY HAVE VIOLENTLY CRITICIZED THOSE ICCS DELEGATIONS WHO HAVE AT LEAST TRIED TO PERFORM THE FUNCTIONS PRESCRIBED BY THE AGREEMENT; AND THEY HAVE SOUGHT TO DESTROY THE ICCS BY WITHHOLDING THEIR AGREED SHARE OF THE COSTS OF THE ICCS WHICH THEY HAD SOLEMNLY UNDERTAKEN TO PROVIDE. ALTHOUGH THE NORTH VIETNAMESE WILL NOT

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EVEN DISCUSS THESE ACTS DESIGNED TO DESTROY THE ICCS, THEY ARE WILLING TO DISCUSS A VAST EXTENSION OF THEIR "PRIVILEGES AND IMMUNITIES".

THE EMBASSY STATEMENT ALSO CONTRASTED THE HUMANITARIAN EXCHANGES OF PRISONERS WHICH HAVE MARKED THE END OF THE FIGHTING IN THE MIDDLE EAST TO THE REFUSAL OF THE NORTH VIETNAMESE EVEN TO DISCUSS THE NEARLY 100,000 MISSING MILITARY AND CIVILIAN PERSONNEL, SEVERAL THOUSAND OF WHOM ARE KNOWN STILL TO BE HELD BY THEM. THE RVN HAS FULLY CARRIED OUT ITS OBLIGATIONS UNDER THE AGREEMENT AND HAS RETURNED ALL OF ITS 31,961 POW'S AND CIVILIAN PRISONERS. THE NORTH VIETNAMESE HAVE RETURNED ONLY 6,065 PERSONS; NOT ONLY WILL THEY NOT DISCUSS THE MISSING, THEY HAVE DELIBERATELY MURDERED IN COLD BLOOD AMERICAN AND VIETNAMESE MEMBERS OF A TEAM SENT TO A SITE TO RECOVER A BODY. YET THEY WILL DISCUSS THEIR OWN "PRIVILEGES AND IMMUNITIES".

WE ALSO POINTED OUT THE REFUSAL OF THE NORTH VIETNAMESE EVEN TO DISCUSS A HUMANITARIAN PROPOSAL FOR THE RVN TO CEASE THE USE OF WEAPONS OF MASS TERROR -- LAND MINES, MORTARS, ROCKETS, AND LONG-RANGE ARTILLERY -- WHOSE INDISCRIMINATE USE HAS LITTLE IF ANY MILITARY VALUE BUT WHICH RESULTS IN THE KILLING AND MAIMING OF INNOCENT CIVILIANS AND CHILDREN SUCH AS THOSE AT LAI LAY AND SONG PHU.

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C O N F I D E N T I A L SECTION 3 OF 6 SAIGON 8084

THE EMBASSY STATEMENT OBSERVED THAT AN END TO THE WAR IS, OF
COURSE, THE REAL BUSINESS AT HAND. THE LONGER THE FIGHTING IS
PROLONGED THE GREATER THE RESPONSIBILITY WHICH NVN MUST BEAR

FOR ITS CYNICAL AND HOPELESS ATTEMPTS TO CONQUER THE SOUTH AND ESTABLISH POLITICAL HEGEMONY OVER ALL SE ASIA. PEACE CAN COME TO VIETNAM AS IT HAS COME TO MIDDLE EAST, BUT, AS IN THE MIDDLE EAST, BOTH SIDES MUST DESIRE IT AND WORK IN GOOD FAITH TO BRING IT ABOUT. THE PARIS AGREEMENT PROVIDES THE NECESSARY MECHANISM. THE GOVERNMENT AND THE PEOPLE OF THE RVN ARE COMMITTED TO THE FULL AND COMPLETE IMPLEMENTATION OF THESE ACCORDS AND IS FULLY SUPPORTED BY THIS BY THE GOVERNMENT AND PEOPLE OF THE US, WHICH SHARE THE SAME POSITION. IF THE OTHER SIDE WILL ONLY BEGIN TO SHOW SERIOUS INTENT, THEN WE COULD SOON SEE AN END TO THIS WAR.

THE EMBASSY STATEMENT CONCLUDED THAT THE US HAD HOPED THAT THE RETURN OF THE NORTH VIETNAMESE AND THE "PRG" DELEGATIONS TO THE FPJMT MEETINGS WOULD SIGNAL A NEW AND MORE CONSTRUCTIVE ATTITUDE ON THEIR PART. WE ASSUMED THAT THE FORTHCOMING ATTITUDE OF THE RVN IN FULLY RESTORING ALL THE PRIVILEGES AND IMMUNITIES ENJOYED BY THE OTHER SIDE SINCE THE SIGNING OF THE AGREEMENT SIXTEEN MONTHS AGO HAD LAID THAT MATTER TO REST. IT SEEMED TO US WE HAD A RIGHT TO HOPE THAT THE FPJMT WOULD BEGIN TO MAKE PROGRESS IN ITS REAL WORK -- THE EXCHANGE OF INFORMATION ON THE MISSING IN ACTION AND REPATRIATION OF THE REMAINS OF THE DEAD. FROM THE ACTIONS OF THE NVN AND THE "PRG" DELEGATIONS TODAY, IT SEEMS CLEAR THAT THEIR SOLE PURPOSE CONTINUES TO BE TO PROMOTE PROPAGANDA AND TO PREVENT REAL PROGRESS. WE HAD HOPED THAT PROGRESS IN THIS HUMANITARIAN FORUM WOULD INDICATE A WILLINGNESS ON THE PART OF THE OTHER SIDE TO COOPERATE IN THE FULL IMPLEMENTATION OF THE ENTIRE PARIS AGREEMENT. THAT IS STILL OUR HOPE, THE EMBASSY STATEMENT CONCLUDED.

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E. PRESIDENT THIEU ISSUES ARMED FORCES DAY MESSAGE
JUNE 19, 1974 IS RVN ARMED FORCES DAY, AND PRESIDENT THIEU HAS AS USUAL ISSUED A MESSAGE TO THE TROOPS UNDER HIS COMMAND. THIS YEAR'S MESSAGE STRESSES THE "THREE MAJOR DUTIES" FACING RVNAF IN THE COMING YEAR: TO STRENGTHEN TERRITORIAL SECURITY, TO CLEANSE THE ARMED FORCES, AND TO IMPROVE COMBAT METHODS. RE THE FIRST TASK, SECURITY, PRESIDENT THIEU CALLED ON THE ARMED FORCES TO "DULY PUNISH" THE COMMUNIST AGGRESSORS WHO ARE SEEKING TO GAIN MORE TERRITORY AND CONTROL MORE OF THE POPULATION. IN CLEANING THE ARMED FORCES, PRESIDENT THIEU CALLED FOR IMPROVED LEADERSHIP: "IF THE CADRES ARE GOOD, THE SOLDIERS WILL ALSO BE GOOD. IF A COMMANDER IS GOOD, HIS UNIT WILL BE GOOD. FROM NOW ON, " PRESIDENT THIEU PROMISED, "ARMY REGULATIONS WILL BE USED SOLELY FOR THE PURPOSE OF PROTECTING THE INTERESTS OF WORTHY CADRE AND INSURING THEIR CAREER." "DEFEATISM AND CORRUPTION" WILL NOT BE TOLERATED, PRESIDENT THIEU ADDED.

PRESIDENT THIEU RESERVED MOST OF HIS SHORT MESSAGE FOR THE THIRD TASK, TO IMPROVE COMBAT METHODS. HERE HE STRESSED THE NEED FOR ECONOMY IN THE USE OF BOTH MATERIAL AND MANPOWER: "(THIS) MEANS

NOT WASTING OUR MILITARY EQUIPMENT AND SUPPLIES BY USING THEM IN THOSE CASES WHEN IT IS NOT WORTH IT...AND ALSO (IT MEANS) TO ECONOMIZE ON THE BLOOD AND BONES OF OUR COMBATANTS, WHILE (AT THE SAME TIME) DESTROYING THE GREATEST NUMBER OF THE ENEMY." PRESIDENT THIEU PRAISED THE ARMED FORCES FOR "RESPONDING OVER THE PAST YEAR TO MY CALL FOR THRIFT" BUT HE WARNED THAT IN THE COMING YEAR A CONTINUING EFFORT WILL BE NECESSARY "SO THAT WE CAN CONCENTRATE...NATIONAL RESOURCES AND FOREIGN AID ON THE DEVELOPMENT OF THE ECONOMY."

F. THIEU'S TRAVEL

PRESIDENT THIEU IS CONTINUING THE SERIES OF VISITS AND INSPECTION TOURS WHICH HAVE BROUGHT HIM CONSIDERABLE PUBLIC EXPOSURE IN RECENT WEEKS. ON JUNE 14, HE ADDRESSED THE GRADUATING CLASS OF A SECONDARY SCHOOL IN SAIGON. HE COMPARED THE EDUCATIONAL SYSTEM IN NVN WITH THAT IN FREE COUNTRIES, REMARKING THAT: "AS LONG AS THE COMMUNIST EMPIRE AND COMMUNISM EXIST, THE HOMELAND IS STILL MENACED BY BOTH SPIRITUAL AND MATERIAL AGGRESSION."

ON JUNE 17, THE PRESIDENT TRAVELLED TO MR-1, WHERE HE TOOK PART IN TROOP REVIEWS AND INSPECTIONS. IN THE AFTERNOON, THIEU SPOKE TO 334 TRAINEES OF THE 4TH VILLAGE SECURITY OFFICERS COURSE AT THE HOA CAM TRAINING CENTER IN QUANG NAM. AS HE DID LAST WEEK
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ON A SIMILAR OCCASION, PRESIDENT THIEU EMPHASIZED: "THE TERRITORIAL WAR AGAINST THE COMMUNISTS (WHICH TAKES PLACE IN) THE COUNTRYSIDE IS A VITAL ONE, SINCE THAT WAR WILL DECIDE THE SURVIVAL OF THE NATION."

IN HIS TOUR OF MR-1, THIEU ALSO VISITED REFUGEES IN QUANG NGAI, THE 2ND DIVISION'S FORWARD COMMAND HEADQUARTERS IN QUANG TIN, THE DONG DA TRAINING CENTER IN THUA THIEN, AND THE I CORPS FORWARD COMMAND CENTER IN MANG CA NEAR HUE.

G. GVN PREPARATIONS FOR THE MUNICIPAL & PROVINCIAL COUNCIL COUNCIL ELECTIONS NEAR COMPLETION

THE REGIONAL AND CENTRAL ELECTION COUNCILS HAVE ACCOMPLISHED THE SECOND AND FINAL POSTING OF CANDIDATES FOR THE JULY 14 MUNICIPAL AND PROVINCIAL COUNCIL ELECTIONS. EIGHTY-FIVE CANDIDATES WITHDREW THEIR APPLICATIONS FROM THE ORIGINAL LIST OF 1,322. FORTY OTHER CANDIDATES WERE DECLARED INELIGIBLE, CHARGED WITH VARIOUS OFFENSES INCLUDING TAX EVASION, FAILURE TO PROPERLY REGISTER FOR THE DRAFT, EARLIER DISMISSAL FROM GOVERNMENT OFFICE FOR DERELICTION OF DUTY, AND SUSPECTED COMMUNIST ACTIVITIES. THIS LEAVES 1,197 IN THE RUNNING FOR 446 SEATS, A CANDIDATE-TO-VACANCY RATIO OF 2.7:1. ONLY 290 OF

THE CANDIDATES ARE FEMALE. A BREAKDOWN OF CANDIDATES BY CURRENT OCCUPATION FOLLOWS:

INCUMBENTS - 28 PERCENT
ARVN/POLICE - 21 PERCENT

CIVIL SERVICE - 17 PERCENT
TEACHERS - 9 PERCENT
MERCHANTS - 5 PERCENT
V/H OFFICIALS - 4 PERCENT
DOCTORS/PHARMACISTS - 2 PERCENT
OTHER - 12 PERCENT
UNKNOWN - 02 PERCENT
DATA ON PARTY AFFILIATION IS STILL SKETCHY.

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AMCONSUL NHA TRANG
AMEMBASSY PARIS
AMEMBASSY PHNOM PENH
AMEMBASSY SEOUL
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USIA WASHDC
AMEMBASSY VIENTIANE
AMEMBASSY WARSAW
AMEMBASSY WELLINGTON
USDEL JEC PARIS UNN

CIA
DIA
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WHITE HOUSE
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DEPCHIEF JUSMAAG UDORN
AMEMBASSY TEHRAN
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C O N F I D E N T I A L SECTION 4 OF 6 SAIGON 8084

H. DEPUTY PRIME MINISTER TRAN VAN DON RESPONSIBLE FOR LIAISON
WITH ASSEMBLY

ON JUNE 13, 1974 PRESIDENT THIEU ISSUED A DECREE ASSIGNING
DEPUTY PRIME MINISTER TRAN VAN DON THE ADDITIONAL RESPONSIBILITY
OF LIAISON WITH THE NATIONAL ASSEMBLY. DON'S TITLE IS NOW
"DEPUTY PRIME MINISTER SPECIALLY IN CHARGE OF INSPECTING NATIONAL
DEVELOPMENT PROGRAMS AND LIAISON WITH THE NATIONAL ASSEMBLY".
DON'S RESPONSIBILITIES SINCE HIS APPOINTMENT TO THE CABINET
ON FEBRUARY 18 OF THIS YEAR HAVE BEEN UNCLEAR. HOWEVER,
IT HAS BECOME APPARENT THAT THE OCCASIONALLY DELICATE TASK OF
LIAISON BETWEEN THE EXECUTIVE AND THE NATIONAL ASSEMBLY HAS NOT
BEEN PERFORMED VERY EFFECTIVELY BY DOAN VAN DOAN, THE OFFICIAL
ON THE PRIME MINISTER'S STAFF FORMALLY CHARGED WITH THAT
RESPONSIBILITY. WITH THE DISMISSAL IN LATE MAY OF PRESIDENTIAL
SPECIAL ASSISTANT NGUYEN VAN NGAN, WHO HAD BEEN THE PALACE'S
CHIEF LINK WITH THE ASSEMBLY, THE LACUNAE IN THIS AREA MUST
HAVE BECOME PARTICULARLY APPARANT. DON WAS A SENATOR FROM
1967-1970 AND A LOWER HOUSE DEPUTY FROM 1970 UNTIL HIS APPOINT-
MENT AS DEPUTY PRIME MINISTER. HIS BROAD CONTACTS IN THE ASSEMBLY
MAY THUS PROVE USEFUL TO THE EXECUTIVE

I. CATHOLIC ANTI-CORRUPTION MOVES SURFACE

AFTER DEVELOPING OUT OF PUBLIC VIEW FOR A NUMBER OF WEEKS,
TWO ATTACKS ON SOUTH VIETNAM'S CORRUPTION PROBLEM WERE OPENLY
LAUNCHED DURING THE PAST WEEK BY PROMINENT CATHOLIC FIGURES.
THE CAMPAIGNS WERE NOT EXPRESSLY CONNECTED WITH EACH OTHER,
BUT COORDINATION CAN BE INFERRED. ON JUNE 14, MAVERICK CATHOLIC
SENATOR TRUONG TIEN DAT SENT AN OPEN LETTER TO PRESIDENT THIEU
ASKING HIM TO "ELIMINATE FROM THE GOVERNMENT MACHINERY" THE
FOLLOWING ALLEGEDLY CORRUPT HIGH-RANKING MILITARY OFFICERS:

A. LTG DANG VAN QUANG, SPECIAL ASSISTANT TO THE PRESIDENT
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B. LTG NGUYEN VAN TOAN, MR-2 COMMANDER

C. LTG NGUYEN VAN NGHI, MR-4 COMMANDER

D. BG DO KIEN NHIEU, MAYOR OF SAIGON

E. BG LE MINH DAO, 18TH DIVISION COMMANDER

F. BG PHAN DINH NIEM, 22ND DIVISION COMMANDER

G. COL TRANG SY TAN, SAIGON MUNICIPAL POLICE COMMANDER

H. COL PHAM KIM QUY, ASSISTANT TO THE NATIONAL POLICE COMMANDER

DAT ISSUED THIS APPEAL IN THE NAME OF THE REPUBLICAN PARTY, THE PROVISIONALLY REGISTERED OPPOSITION PARTY THAT HE LEADS. ON JUNE 18, A GROUP OF CATHOLIC PRIESTS AND LAYMEN REPORTEDLY TRIED TO HOLD A PRESS CONFERENCE ON THE CORRUPTION ISSUE AT THE TAN SA CHAU CHURCH IN GIA DINH (GREATER SAIGON). ACCORDING TO PRESS REPORTS, THE POLICE PREVENTED THE MEETING FROM TAKING PLACE. THERE WAS NO VIOLENCE OR MAJOR DISTURBANCE. PRESENT AT THE CHURCH WERE SEVERAL DEPUTIES OF THE INDEPENDENT (THOUGH INCREASINGLY OPPOSITIONIST) "NATIONALIST GROUP". SENATOR TRUONG TIEN DAT AND EX-SENATOR HOANG XUAN TUU (THE LATTER A LEADER OF THE ANTI-THIEU REVOLUTIONARY DAI VIET PARTY) WERE ALSO SEEN THERE.

COMMENT: FOR WEEKS NOW, A PETITION HAS BEEN QUIETLY CIRCULATING AMONG CATHOLIC PRIESTS ATTACKING THE PREVALENCE OF CORRUPTION. THE PETITION DOES NOT HAVE THE OFFICIAL BACKING OF THE HIERARCHY AND HAS NOT YET BEEN MADE PUBLIC. HOWEVER, ARCHBISHOP BINH RECENTLY TOLD AN EMBASSY OFFICER THAT, WHILE HE DOES NOT THINK THE PETITION IS A GOOD IDEA, PRIESTS ARE FREE TO SIGN IT IF THEY WISH. CORRUPTION IS AN ISSUE WHICH OPPOSITIONISTS OF ALL RELIGIONS FREQUENTLY ATTACK, BUT SEVERAL CATHOLIC PERSONALITIES HAVE BEEN PARTICULARLY OUTSOPKEN ON THE USSUE OF LATE. CORRUPTION AS ALLEGED IN THE MILITARY IS A PARTICULAR GRIEVANCE AMONG ARTICULATE CIVILIANS SUCH AS DAT. IT WILL BE RECALLED THAT TWO SENATORS IN 1971 PUBLICIZED ALLEGATIONS OF CORRUPTION AGAINST TWO SENIOR RVNAF GENERALS INCLUDING QUANG; BOTH SENATORS WERE NORTHERNERS LIKE DAT AND, LIKE HIM, HAWKS ON THE ISSUE
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OF PEACE NEGOTIATIONS WHILE ALSO STRONG CRITICS OF PRESENT GOVERNMENT. DAT'S OPPOSITION TO THIEU HAS ALSO BEEN PARTICULARLY MANIFEST SINCE 1971.

J. 118 VIETNAMESE CITIZENS OF ETHNIC CHINESE EXTRACTION EXPELLED FROM HONG KONG
CONSIDERABLE PUBLICITY HAS BEEN ATTRACTED BY THE JUNE 15 FORCIBLE EXPULSION BY HONG KONG AUTHORITIES OF 118 VIETNAMESE CITIZENS OF ETHNIC CHINESE EXTRACTION. THE GVN COOPERATED BY SENDING TWO AIR VIETNAM AIRCRAFT TO HONG KONG TO PICK UP THE EXPELLEES, WHO WERE CHARGED WITH HAVING ENTERED HONG KONG ILLEGALLY. MOST BUT NOT ALL WERE DRAFT AGE MALES WHO REPORTEDLY BOUGHT THEIR PASSAGE TO HONG KONG FOR THE EQUIVALENT OF \$1,200 US. GVN SPOKESMAN TRUC STATED ON JUNE 18 THAT ALL 118 WILL BE BROUGHT TO TRIAL ON CHARGES OF HAVING EXITED THE RVN ILLEGALLY. ASKED BY A NEWSMAN IF THE FAMILIES OF ANY OF THE EXPELLEES HAD SOUGHT INTERVENTION FROM THE PRC, TRUC REPLIED THAT HE DID NOT KNOW, BUT IF THIS WERE THE CASE, IT WOULD BE A "SERIOUS" MATTER AND WOULD INCREASE THE GRAVITY OF THE CASE AGAINST ANYONE SO CHARGED. THERE ARE REPORTS THAT TWO PERSONS INDICATED IN THE SO-CALLED "MARTELL CONVOY" SMUGGLING AFFAIR (SEE BELOW) WERE AMONG THOSE WHO APPREHENDED AND EXPELLED BY THE HONG KONG AUTHORITIES.

K. SUPREME COURT DECIDES CONSTITUTIONAL ISSUE IN "MARTELL CONVOY" CASE
THE SUPREME COURT ISSUED ITS DECISION JUNE 12 IN THE CONSTITUTIONAL APPEAR RECENTLY LODGED BY DEFENSE COUNSEL IN THE "MARTELL CONVOY" SMUGGLING CASE (SEE SAIGON 5966, ITEM I.D AND SAIGON 7375, ITEM I C). REJECTING THE ARGUMENTS OF THE PETITIONERS, THE COURT DECLARED THAT THE COMPOSITION AND PROCEDURES OF THE MILITARY FIELD COURT TRYING THE CASE ARE VALID. THE SUPREME COURT ALSO UPHELD THE CONSTITUTIONALITY OF THE SIX-MONTHS GRANT OF EMERGENCY POWERS TO PRESIDENT THIEU IN 1972, UNDER WHICH THE LATEST LAW ON THE COMPOSITION OF THE MILITARY FIELD COURTS WAS PROMULGATED. THE CASE NOW RETURNS TO TRIAL. AS YET THERE IS NO WORD CONCERNING THE RE-SCHEDULING OF THE HEARINGS.

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OMB-01 SS-20 SSO-00 INRE-00 ISO-00 /117 W

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O R 191045Z JUN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 5956

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

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C O N F I D E N T I A L SECTION 5 OF 6 SAIGON 8084

L. TRAN NGOC CHAU'S STATUS UNCLEAR

EX-DEPUTY TRAN NGOC CHAU, WHO WAS RELEASED FROM PRISON JUNE 5 AFTER

SERVING NEARLY HALF OF A TEN-YEAR SENTENCE (SAIGON 7745, ITEM I.H), HAS NOT YET APPEARED IN PUBLIC VIEW. OUR CURRENT INFORMATION IS THAT HE IS CURRENTLY UNDERGOING CHIEU-TOI-TYPE ORIENTATION.

CHAU WAS SENTENCED IN 1970 FOR HAVING HAD TREASONABLE CONNECTIONS WITH HIS BROTHER, A COMMUNIST AGENT.

M. CAMBODIAN SITUATION SOMEWHAT CALMER IN KEIN GIANG
AN UNFORTUNATE JUNE 10 INCIDENT IN KIEN GIANG PROVINCE IN WHICH A NUMBER OF CAMBODIANS PROTESTING A GVN CRACKDOWN ON DRAFT DODGERS WERE KILLED OR INJURED WAS REPORTED LAST WEEK. GVN LOCAL AUTHORITIES HAVE NOW INDICATED THAT MOST OF THE CASUALTIES WERE INFLICTED BY GUNFIRE FROM POLICE OVER-REACTING TO A TENSE SITUATION. THE PROVINCE CHIEF HAS ORDERED THE RELEASE OF ALL SIX OF THE ALLEGED MONKS WHOSE DETENTION HAD SPARKED THE UGLY DEMONSTRATION; THREE HAVE BEEN RELEASED UNCONDITIONALLY: THE OTHER THREE FOR A PERIOD OF TIME DURING WHICH THEY MUST OBTAIN THE NECESSARY DRAFT EXEMPTION CERTIFICATION OR FACE INDUCTION. TENSION REMAINS BETWEEN THE CAMBODIAN AND VIETNAMESE POPULATION IN THE AREA, BUT THE LEVEL OF ACRIMONY IS DOWN. THE PROVINCE CHIEF MAINTAINS THAT THE STEPS HE HAS ALREADY TAKEN GO A LONG WAY TO MEET THE CAMBODIAN COMPLAINTS, AND THE CAMBODIAN RELIGIOUS LEADERS HAVE ACKNOWLEDGED THAT THE GVN HAD PROPERLY GIVEN ADEQUATE ADVANCE NOTICE OF THE NEW POLICY WHEREBY MONKS MUST BE IN POSSESSION AT ALL TIMES OF DOCUMENTATION OF THEIR DRAFT EXEMPT STATUS. HOWEVER, THE CAMBODIANS STILL DENY THE GVN ALLEGATION THAT COMMUNISTS HAD INFILTRATED THE GROUP OF PROTESTORS WHO WERE FIRED UPON, AND THEIR BELIEF THAT THEY ARE THE OBJECT OF DISCRIMINATION HAS NOT SUBSIDED TOTALLY. CAMBODIANS IN OTHER AREAS OF THE DELTA HAVE DEMONSTRATED
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PEACEFULLY BY DISPLAYING BANNERS IN SUPPORT OF THEIR COMPATRIOTS IN KIEN GIANG. IN CAN THO, ON JUNE 19 THE PROVINCE CHIEF REACHED AN AMICABLE AGREEMENT WITH MONKS IN A PAGODA DISPLAYING SUCH BANNERS AND THEY HAVE BEEN REMOVED.

N. TUONG HOA HAO FACTION APPEARS TO BE LOSING STEAM IN CONFRONTATION WITH GVN
AS REPORTED LAST WEEK, THE HOA HAO FACTION LED BY LUONG TRONG TUONG HAS BEEN TRYING TO PRESSURE THE GVN INTO ACQUIESCING TO ITS "SEVEN DEMANDS". GVN SHOW OF FIREMNESS BOTH FROM THE PALACE AND LOCALLY IN CHO MOI DISTRICT OF AN GIANG PROVINCE, SEEMS TO BE TAKING THE STARCH OUT OF TUONG.

CONSULATE GENERAL CAN THO REPORTS THAT ACCORDING TO HOA HAO CONTACTS IN AN GIANG, A TWO MAN DELEGATION SENT TO SAIGON BY TUONG WAS REFUSED AN APPOINTMENT WITH PRESIDENT THIEU ON JUNE 14 OR 15, BUT THROUGH MANEUVERING WITH THE PRESIDENT'S STAFF, NEVERTHELESS MANAGED TO GAIN ACCESS TO THE PRESIDENT. ACCORDING TO THIS REPORT PRESIDENT THIEU STERNLY TOLD THE TWO MEN THAT THE HOA HAO AFFAIR

IS A LOCAL MATTER UNWORTHY OF HIS INTERCESSION. HE CALLED UPON THE HOA HAO TO DEDICATE THEIR ENERGIES TO THE NATIONAL PROBLEM-- THE STRUGGLE AGAINST COMMUNISM. WHEN THAT PROBLEM WAS RESOLVED, THIEU REPORTEDLY SAID, HE WOULD CONSIDER THE QUESTION OF ADDITIONAL HOA HAO PRIVILEGES.

IN PREPARATION FOR THE JUNE 15 DEADLINE BY WHICH TUONG'S HOA HAO DEFENSE FORCE WAS TO TURN IN ITS WEAPONS, TWO COMPANIES OF NATIONAL POLICE FIELD FORCES (NPFF) ENTERED CHO MOI DISTRICT AND DEPLOYED AROUND TUONG'S HEADQUARTERS, THE TAY AN PAGODA. IN CAN THO ON JUNE 16, THE TUONG FACTION TURNED IN FIVE WEAPONS AS A "SYMBOLIC GESTURE", BUT REPORTEDLY SAID THEY WOULD NOT TURN OVER TO THE GVN ANY WEAPONS GIVEN TO THE CHURCH "BY THE AMERICANS". (A FREQUENT TACTIC OF VARIOUS HOA HAO FACTIONS IN THE PAST HAS BEEN TO CLAIM COVERTY SUPPORT FROM "THE AMERICANS.")

ON JUNE 17, THE TUONG FACTION HELD A MEETING INSIDE TOY AN PAGODA. ACCORDING TO PRESS REPORTS, THE MEETING WAS ATTENDED BY 2,500 MEMBERS OF THE FAITHFUL INCLUDING MEMBERS OF ITS "SELF DEFENSE FORCE". DURING THE MEETING, TUONG IS REPORTED TO HAVE RE-EMPHASIZED THE COMMUNIST NATURE OF THE HOA HAO POSITION AND STATED THT THE HOA HAO CHURCH "ALWAYS RESPECTS CIVIL LAW". AS AN EXAMPLE OF THIS RESPECT, TUONG CITED THE JUNE 16 CEREMONY IN CAN THO AT WHICH THE HOA HAO HAD RETURNED WEAPONS TO THE GVN. TUONG APPEALED TO HIS FOLLOWERS TO UNITE IN A NONVIOLENT

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CAMPAIGN TO REALIZE THE "SEVEN DEMANDS". HE REAFFIRMED THAT THE HOA HAO CHURCH ALWAYS SUPPORTS THE PRESIDENT OF THE RVN AND WOULD FIGHT TO THE END AGAINST THE COMMUNISTS.

DESPITE THE FACT THAT THE TAY AN PAGODA HS BEEN SURROUNDED, ELEMENTS OF THE SELF DEFENSE FORCE HAVE BEEN SLIPPING AWAY. ELEMENTS OF THE NPFF HAVE BEEN SENT INTO FOUR OTHER VILLAGES OF CHO MOI DISTRICT TO APPREHEND FUGITIVES FROM THE PAGODA. THE SITUATION HAS BEEN COMPLICATED BY THE RELATIVE INACCESSIBILITY OF CHO MOI.

ACCORDING TO OTHER REPORTS, TUONG'S TACTICS HAVE LOST HIM THE SUPPORT OF SOME OF HIS STAFF. A RIVAL HOA HAO FACTION LEAD BY NGUYEN DUY HINH HAS ALSO REBUFFED A REQUEST TO SUPPORT TUONG'S "SEVEN DEMANDS". AS REPORTED LAST WEEK, THE OTHER RIVAL FACTION, LED BY LE QUANG LIEM, ALSO IS REFUSING TO SUPPORT THE DEMANDS. AS A RESULT, TUONG AND HIS FACTION APPEAR ISOLATED IN THIS ATTEMPT TO PRESSURE THE GVN, WHOSE TACTICS HAVE SO FAR BEEN AN EFFECTIVE MIXTURE OF DUTCH UNCLE FIRMNESS FROM THE PALACE AND ADROIT LOCAL MANNEUVERING.

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OMB-01 SS-20 ISO-00 SSO-00 INRE-00 /117 W

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O R 191045Z JUN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 5957

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

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II. EXTERNAL AFFAIRS

A. FOREIGN MINISTER LEAVES FOR LOS CONFERENCE.

FOREIGN MINISTER VUONG VAN BAC LEFT SAIGON JUNE 14 TO ATTEND OPENING PHASE OF LOS CONFERENCE IN CARACAS. IN AN INTERVIEW WITH OFFICIAL VIETNAM PRESS BAC INDICATED AT THE CONFERENCE HE WILL DEFEND POSITION THAT THE PARACEL ISLANDS (SEIZED BY PRC LAST JANUARY) AND SPRATLY ISLANDS ARE INDIVISIBLE PORTION OF RVN TERRITORY. BAC ALSO STATED GVN DISPUTE WITH THAILAND OVER FISHING RIGHTS IS NOT APPROPRIATE FOR CONFERENCE CONSIDERATION BUT SHOULD BE RESOLVED IN BILATERAL NEGOTIATIONS. ARTICLE NOTED GVN WOULD BE ONLY VIETNAMESE DELEGATION AT CONFERENCE, DRV HAVING REFUSED TO PARTICIPATE WHEN "PRG" WAS NOT INVITED.

B. GVN AND NICARAGUA ESTABLISH DIPLOMATIC RELATIONS.

MFA ANNOUNCED JUNE 19 THAT RVN AND NICARAGUA HAD DECIDED TO ESTABLISH DIPLOMATIC RELATIONS AT THE AMBASSADORIAL LEVEL AS OF THAT DATE.

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III. ECONOMIC

A. 1975 BUDGET PREPARATIONS BEGIN

A CIRCULAR FROM THE PRIME MINISTER JUNE 7 REVAMPED THE BUDGET FORMAT FOR 1975 IN AN EFFORT TO GIVE MORE EMPHASIS TO ECONOMIC DEVELOPMENT. ACCORDING TO THE NEW GUIDELINES, THE BUDGET WILL BE DIVIDED INTO THREE SECTIONS: SECURITY (MINISTRY OF DEFENSE, POLICE, PRISONS), CIVIL OPERATIONS, AND DEVELOPMENT PROGRAMS. THE GOVERNMENT INTENDS TO HOLD THE LINE ON, OR REDUCE,
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EXPENDITURES IN THE FIRST TWO CATEGORIES, WHILE MAXIMIZING OUTLAYS FOR HIGH PRIORITY DEVELOPMENT PROJECTS. THE DIRECTOR GENERAL OF BUDGET AND FOREIGN AID WILL CONTINUE TO PLAY A DECISIVE ROLE IN DETERMINING CURRENT EXPENDITURE LEVELS, BUT THE JUNE 7 CIRCULAR DESIGNATES THE COMMISSARIAT GENERAL OF PLANNING AS THE AUTHORITY FOR SCREENING AND SETTING PRIORITIES ON DEVELOPMENT PROJECTS PROPOSED BY THE MINISTRIES. FOLLOWING APPROVAL BY THE PRESIDENT AND CABINET COUNCIL, THE COMPLETED BUDGET IS SCHEDULED

TO BE PRESENTED TO THE NATUONAL ASSEMBLY BY SEPTEMBER 30, 1974.

HERETOFORE, THE BUDGET CHAPTERS HAD BEEN ARRANGED ACCORDING TO AGENCY RATHER THEAN FUNCTION, EXCEPT FOR THE "FOREIGN AID CHAPTER" WHICH ALLOCATED US COUNTERPART TO VARIOUS MINISTRIES. ONE OF THE MAIN PURPOSES OF THE NEW "DEVELOPMENT BUDGET" SECTION IS TO PROVIDE A CONVENIENT MEANS TO CHANNEL FOREIGN ASSISTANCE INTO SPECIFIC PROJECTS. THE GOVERNMENT HOPES TO MEET MOST OPERATIONAL EXPENDITURES FROM ITS OWN RESOURCES, BUT THE SIZE OF THE DEVELOPMENT PORTION WILL DEPEND TO A LARGE EXTENT ON THE LEVEL OF FOREIGN AID.

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B. EXPORT TREND STAYS FLAT IN APRIL-MAY
EXPORT RECEIPTS OF US\$7.8 AND 7.7 MILLION FOR APRIL AND MAY, RESPECTIVELY, HAVE BROUGHT TOTAL EXPORT EARNINGS FOR THE FIRST FIVE MONTHS OF 1974 TO A LEVEL OF \$36.4 MILLION, REPRESENTING AN INCREASE OF MORE THAN 100 PERCENT OVER THE COMPARABLE 1973 PERIOD. RUBBER AND FISHERY PRODUCTS BOTH SHOWED INCREASES OF MORE THAN 200 PERCENT; FOREST PRODUCTS AND SCRAP ROSE BY SOME 40 PERCENT. A STRIKING FEATURE IS THE ALMOST FIVE-FOLD INCREASE IN EXPORTS OF TEA AND COFFEE WHICH, WITH REGISTERED EARNINGS OF 3.7 MILLION FOR THE YEAR TO DATE, HAVE REPLACED SCRAP AS THE FOURTH LARGEST EARNER OF FOREIGN EXCHANGE. WHEN COMPARED WITH THE LAST QUARTER OF 1973 AND THE FIRST QUARTER OF 1974, THE RECENT EXPORT PERFORMANCE APPEARED CONSIDERABLY LESS SPECTACULAR THAN THE YEAR-TO-YEAR COMPARISON WOULD SUGGEST. THE APRIL-MAY DATA SUGGEST THAT THE FLATTENIN OUT OF EXPORT RECEIPTS WHICH BEGAN DURING THE LAST QUARTER OF 1973 IS CONTINUING AND THAT TOTAL EXPORT RECEIPTS DURING THE SECOND QUARTER OF THE CURRENT
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YEAR MAY NOT SIGNIFICANTLY EXCEED THE LEVEL OF THE PRECEDING THREE MONTH PERIOD IN NOMINAL TERMS. IN REAL TERMS, I.E. ADJUSTED FOR PRICE MOVEMENTS, 2ND QUARTER RECEIPTS MAY SHOW A DECLINE. THE GOVERNMENT HAS RECENTLY BEEN PROJECTING EXPORT EARNINGS TO REACH ABOUT \$80-90 MILLION FOR THE YEAR, BELOW EARLIER EXPECTATIONS WHICH EXCEEDED \$100 MILLION. EXPORTS IN 1973 WERE VALUED AT \$60 MILLION.

C. FOOD LEADS REBOUND IN CONSUMER PRICES
A SURGE IN FOOD PRICES PUSHED THE USAID CONSUMER INDEX UP 1.2 PERCENT THIS WEEK. THE INCREASE ENDED A MONTH-LONG PERIOD OF STABILITY, DURING WHICH THE INDEX HAD REMAINED VIRTUALLY UNCHANGED. ALTHOUGH THE OVERALL RATE OF PRICE RISE HAS TAPERED OFF OVER THE PAST THREE MONTHS, MOST OF THE INCREASE THAT HAS OCCURRED HAS BEEN IN THE FOOD CATEGORY. MEDIUM QUALITY RICE

WENT UP 1 PERCENT THIS WEEK AND IT HAS NOW RISEN 4 PERCENT IN A MONTH. AS REPORTED EARLIER, DELTA PADDY PRICES HAVE BEEN ON THE RISE FOR SEVERAL WEEKS. SALTWATER FISH PRICES ROSE 10 PERCENT AFTER AN 11 PERCENT INCREASE THE WEEK BEFORE. WHOLESALERS INDICATED THAT THE END OF THE MAIN FISHING SEASON NORMALLY PUSHES PRICES UP, BUT THE SUPPLY PROBLEM HAS BEEN FURTHER AGGRAVATED THIS YEAR BY HIGH FUEL COSTS WHICH DISCOURAGE FISHERMEN FROM PURSUING THE CATCH OUT TO DEEPER WATERS. THE THIRD KEY FACTOR IN THIS WEEK'S RETAIL INDEX RISE WAS A JUMP IN VEGETABLE PRICES, RANGING FROM 8-12 PERCENT. MILITARY ACTIVITY ALONG THE PRINCIPAL SUPPLY ROUTES NORTH OF SAIGON HAS HELD UP SHIPMENTS OF FRESH PRODUCE TO THE CAPITAL.

D. GOLD, BLACK MARKET DOLLARS ADVANCE

THE BLACK MARKET RATE FOR \$100 GREEN ROSE TO 625 ON JUNE 17, DEPARTING FROM THE OFFICIAL EXCHANGE RATE OF 620. SIMILARLY THE PRICE FOR \$10 GREEN WENT FROM 615 TO 621. THE MARKET MAY HAVE BEEN ANTICIPATING ANOTHER PERIODIC EXCHANGE RATE ADJUSTMENT, SINCE THE GOVERNMENT HAS NOT MOVED THE RATE IN NEARLY TWO MONTHS. GOLD PRICES ALSO EDGED UPWARD, TO US\$146.49 PER TROY OUNCE. MARTIN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Subject: EMBASSY SAIGON'S MISSION WEEKLY JUNE 13-19, 1974 BANGKOK ALSO PASS OSA; DEPT ALSO FOR AID/W; CINCPAC FOR POLAD;
TAGS: PINT, PFOR, ECON, VS, HK, (THIEU)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005